

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-06 ISO-00 EB-04 L-01 COME-00 PM-03 NSC-05

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 9779

INFO AMEMBASSY TEL AVIV

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E.O. 11652: NA

TAGS: EGEN, EG

SUBJ: TAX TREATY NEGOTIATIONS

REF: STATE 231624

1. EMBASSY HAS DISCUSSED VISIT OF TREASURY TAX TREATY TEAM WITH SAID HABIB, UNDER- SECRETARY IN MINISTRY OF FINANCE, WHO PARTICIPATED IN FAHMY TALKS IN WASHINGTON AND WHO WILL EVIDENTLY HEAD UP GOE SIDE IN ANY TALKS ON TREATY.

2. HABIB HAD NO OBJECTION TO VISIT, BUT WAS EVIDENTLY SOMEWHAT TAKEN ABACK BY SUGGESTION THAT SERIOUS NEGOTIATIONS RATHER THAN GENERAL DISCUSSIONS TAKE PLACE IN NEAR FUTURE. HE WONDERED IF SUFFICIENT TIME HAD BEEN ALLOTTED.

3. DCM WILL DISCUSS THIS SUBJECT WITH EFFAT, GOE'S COORDINATOR FOR US ASSISTANCE, TO URGE THAT EXPEDITIOUS ATTENTION BE GIVEN TO DRAFT TREATY SO THAT NEGOTIATIONS CAN GET UNDERWAY.

COMMENT: TEAM SHOULD BE AWARE THAT TAX TREATY IS NOT A HIGH PRIORITY ITEM HERE AND THAT FINANCE MINISTRY HAS PROBABLY NOT AS YET PAID A GREAT DEAL OF ATTENTION TO SUBJECT. IN CIRCUMSTANCES, TEAM SHOULD BE PREPARED TO
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START VIRTUALLY FROM SCRATCH TO EXPLAIN VARIOUS ASPECTS

OF TREATY RATHER THAN EXPECT TO ENGAGE IN COMPREHENSIVE NEGOTIATIONS. WE DOUBT, FOR EXAMPLE, THAT ANYONE HAS YET MADE A SERIOUS EFFORT TO GO THROUGH THE DOCUMENT CAREFULLY IN ENGLISH, OR THAT A TRANSLATION INTO ARABIC, WHICH WOULD BE REQUIRED BEFORE TREATY COULD BE PROCESSED THROUGH PEOPLES ASSEMBLY, HAS PROGRESSED FAR, IF INDEED IT HAS EVEN BEGUN.

5. IN THIS CONNECTION, THERE IS NO REAL APPRECIATION OF POSSIBLE ECONOMIC ADVANTAGES THAT MIGHT ACCRUE TO EGYPT IN THIS REGARD. SO FAR AS WE ARE NOT ONE OF LITERALLY HUNDREDS OF US BUSINESSMEN WHO HAS EXPLORED POSSIBILITY OF AN INVESTMENT HERE HAS QUERIED GOE (OR US) ABOUT EXISTENCE OF A TAX TREATY. AT POLITICAL LEVEL, USG SHOULD ALSO HAVE IN MIND POSSIBLE EGYPTIAN POLITICAL SENSITIVITY TO WORD LEAKING OUT THAT A FORMAL TAX TREATY IS BEING NEGOTIATED WITH USG IN IMMEDIATE WAKE OF WHAT IS CERTAIN TO BE AN EXPLOSIVE ARAB SUMMIT AND WITH A TEAM FRESH FROM TEL AVIV. FROM POLITICAL POINT OF VIEW, TIMING OF PROPOSED NEGOTIATIONS COULD HARDLY BE WORSE. HOWEVER, WITHOUT RUSHING THE PACE, WE SHOULD ENCOURAGE GOE MOVE TOWARD SUCH A TREATY.
EILTS

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